

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 FEAE-00 COME-00 TRSE-00 SS-15

SP-02 NSC-05 CIAE-00 INR-07 NSAE-00 L-03 INT-05 /055 W

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R 201210Z JUL 76

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 5355

INFO AMCONSUL DHAHRAN

S E C R E T JIDDA 5035

E.O. 11652: GDS

TAGS: ENRG, SA

SUBJECT: OIL PRODUCTION

REF: DHAHRAN 927

1. EMBASSY/JIDDA HEREBY REPEATS DHAHRAN 927 CONCERNING RECENT SAUDI ARABIAN PETROLEUM PRODUCTION AND APPROPRIATE COMMENTS.

2. BEGIN QUOTE: CONGEN SPOKE TO A WELL INFORMED SOURCE ABOUT RECENT SAUDI OIL PRODUCTION FIGURES. DHAHRAN 0871 REPORTED INCREASING ARAMCO PRODUCTION TO AN AVERAGE OF 8.3 MILLION BPD IN JUNE AND A POSSIBILITY THAT IN JULY ARAMCO COULD BREAK ITS PREVIOUS MONTHLY RECORD OF 8.8 MILLION BPD. ALSO OUR A-18 IN JULY REPORTED ARAMCO PAYMENTS TO SAG IN FIRST QUARTER 1976.

3. SOURCE CONFIRMED THAT ARAMCO PRODUCTION HAS BEEN GRADUALLY INCREASING THIS YEAR, AS SHOWN BY FOLLOWING FIGURES:

	PRODUCTION	ARAMCO PAYMENTS TO SAG
	(IN MILLIONS OF BPD)	IN MILLIONS OF \$ U.S.

JAN	7.27	1.9
FEB	7.74	2.2
MAR	8.16	2.4
APR	8.01	2.4

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MAY	8.25	2.4
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JUN 8.3
JUL 1-17 8.745

SOURCE STRESSED, HOWEVER, THAT THE INCREASED PRODUCTION HAS BEEN STRICTLY IN RESPONSE TO INCREASED MARKET DEMAND GENERATED BY THE ECONOMIC UPTURN IN THE U.S., EUROPE AND ELSEWHERE. ARAMCO HAS NOT REPEAT NOT BEEN ASKED BY SAG OFFICIALS TO INCREASE PRODUCTION.

4. SOURCE ADDED THAT ARAMCO WOULD HAVE LIFTED MORE IN JUNE, BUT STRONG WINDS IN RAS TANIRA AREA INTERFERED WITH LOADING OPERATIONS. SOURCE PERSONALLY EXPECTS JULY PRODUCTION TO AVERAGE ABOUT 8.5 MILLION BPD, BUT OTHER ARAMCONS BELIEVE IT MIGHT REACH 8.8 MILLION BPD.

5. WHILE AGREEING THAT SAG NATIONAL AND INTERNATIONAL EXPENDITURES ARE INCREASING (AS ARE ARAMCO'S EXPENDITURE) AS SAUDIS GAIN MOMENTUM IN THEIR DEVELOPMENT PROJECTS, SOURCE BELIEVES SAG IS STILL SPENDING LESS THAN IT IS EARNING. MOREOVER, SA HAS LEARNED FROM EXPERIENCE OF IRAN AND DOES NOT WANT TO GET "MOUSETRAPPED" IN SAME WAY.

6. SOURCE ALSO MADE FOLLOWING POINTS ON EOTHER SUBJECTS, SOME OF WHICH WE WILL INCLUDE IN OTHER REPORTS TO DEPT.:
(A) THERE HAS BEEN NO ACTUAL DECISION BY SAG REGARDING CUTTING BACK OR STRETCHING OUT GAS COLLECTION PROJECT. ARAMCO HAS PRESENTED SEVERAL OPTIONS AND SAG IS CONSIDERING THEM BEFORE REACHING DECISION. SOURCE SAYS JAN 1979 COMPLETION DATE TOTALLY UNREALISTIC AND PREDICTS STRETCHOUT BY SAG (WITHOUT PUBLICLY ANNOUNCING IT), AND EVENTUAL COMPLETION SEVERAL YEARS AFTER JANUARY 1979 OF ENTIRE PROJECT AS NOW ENVISAGED. (B) SAG IS GREATLY CONCERNED ABOUT SHARPLY INCREASED COSTS OF ITS PROJECTS, BUT SOURCE HAS SEEN NO INDICATION THAT SAG IRRITATION IS BEING DIRECTED AMERICANS. (C) ARAMCO UNDERSTANDS AND IS BASING ITS BUDGETARY AND OPERATIONS PLANNING ON THIS BELIEF THAT SAG STILL PLANS TO INCREASE ITS PRODUCTION CAPACITY FROM 11.5 MILLION BPD NOW TO 16 MILLION BPD IN 1980. (D) PARTICIPATION NEGOTIATIONS ARE MOVING VERY SLOWLY, WITH NO MAJOR DIFFERENCES BUT WITH MANY MINOR ISSUES TO
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SETTLE. THE FOUR AMERICAN OWNERS WOULD LIKE TO SIGN SOON AND FREE THEIR CAPITAL FOR OTHER INVESTMENTS. (E) THERE IS SOME INCREASE IN INTERNAL SAG INFIGHTING, MOSTLY BECAUSE FINANCE MINISTRY IS CONCERNED ABOUT SHARP COST INCREASES FOR PROJECTS IN THE PETROLEUM SECTOR. ARAMCO FINDS EVERYTHING MORE DIFFICULT TO ACCOMPLISH NOW THAN IN RECENT YEARS BECAUSE MORE SAG OFFICIALS ARE INVOLVED. FOR EXAMPLE, UNTIL RECENTLY IT WAS EASY TO GET A DE-

CISION FROM MINISTER YAMANI; NOW THE SUPREME PETROLEUM
COUNCIL OFTEN GETS INVOLVED. END QUOTE.
PORTER

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NNN

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Margaret P. Grafeld
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